

Message Text

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PAGE 01 LUSAKA 02026 141648Z
ACTION AF-10

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FM AMEMBASSY LUSAKA
TO SECSTATE WASHDC 6113

C O N F I D E N T I A L LUSAKA 2026

E.O. 11652: GDS
TAGS: EFIN, EAID
SUBJ: ZAMBIAN ELIGIBILITY FOR IDA FACILITIES

1. PERMANENT SECRETARY OF GRZ MINISTRY OF FINANCE ASKED FOR APPOINTMENT WITH CHARGE ON JULY 14 TO DISCUSS ZAMBIAN ELIGIBILITY FOR IDA CONCESSIONAL FACILITIES. SUBJECT SCHEDULED FOR DISCUSSION AT UPCOMING WORLD BANK EXECUTIVE MEETING.

2. BASED ON STATISTICS MINISTRY OF FINANCE (AND EMBASSY) CONSIDER MISLEADING, ZAMBIA HAS NOT BEEN ELIGIBLE FOR THESE CONCESSIONAL FACILITIES. PERM SEC POINTED OUT THAT DEBT SERVICE REPAYMENT SCHEDULE IS CONTINUING TO INCREASE AND, WHILE ZAMBIA HAS BEEN ABLE TO MAINTAIN EXCELLENT CREDIBILITY IN SERVICING THE DEBT, IT HAS BEEN AT THE COST OF DEFERRING INTERNAL DEVELOPMENT PLANS. UNLESS ZAMBIA BECOMES ELIGIBLE FOR SOFTER LOANS NOW, THE SITUATION WILL CONTINUE TO DETERIORATE TO THE POINT WHERE EVEN CONCESSIONAL FACILITIES WILL NOT BE SUFFICIENT FOR ZAMBIA TO MAINTAIN ECONOMIC VIABILITY WITHOUT CONTINUOUS AND INCREASING FINANCIAL ASSISTANCE.

3. PERM SEC SUGGESTED THAT EVEN IF ZAMBIA WAS NOT CONSIDERED ELIGIBLE FOR IDA ASSISTANCE, CONSIDERATION SHOULD BE GIVEN TO "SOFTER FACILITIES SUBSIDIZED BY THE IDA." IT IS NOT
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PAGE 02 LUSAKA 02026 141648Z

CLEAR TO EMBASSY IF PERM SEC WAS REFERRING TO THIRD WINDOW FACILITIES BUT IN ANY EVENT HE WAS ASKING FOR SOME SORT OF COMPROMISE FACILITY. GRZ IS APPEALING TO MAJOR VOTING PWERS IN WORLD BANK FOR FAVORABLE CONSIDERATION OF ZAMBIA'S APPEAL.

COMMENT: EMBASSY CONSIDERS

ZAMBIAN REQUEST VALID. WHILE
PER CAPITA INCOMES MAY BE ABOVE CONCESSIONAL FACILITY GUIDE-
LINES, NO CONSIDERATION IS MADE FOR THE SEVERE DETERIORATION
IN TERMS OF TRADE WHICH ZAMBIA HAS FACED SINCE LATE 1974.
IN 1965 PRICES ADJUSTED FOR TERMS OF TRADE, PER CAPITA GDP
DROPPED FROM \$340 IN 1974 TO \$234 IN 1976. THIS DETERIORATION
IMPACTS DRAMATICALLY IN ZAMBIA WHERE THE IMPORT COMPONENT
OF EVEN LOWER INCOME GROUPS EXCEEDS 30 PERCENT. ZAMBIA'S
ADJUSTMENT TO WORLD RECESSION AND HIGHER OIL PRICES HAS BEEN
PARTICULARLY DIFFICULT GIVEN THE CONTINUED DEPRESSED WORLD
COPPER PRICE, RISING COSTS OF COPPER PRODUCTION, ZAMBIA'S
LAND LOCKED STATUS, AND THE POLITICAL DECISION TO ADHERE
MORE STRICTLY THAN ANY OF HER NEIGHBORS TO THE SANCTIONS
AGAINST RHODESIA AT CONSIDERABLE ECONOMIC COST. MORE
IMPORTANTLY PERHAPS, COPPER PRICES HAVE SHOWN NO RESILIENCE
AND THE CONTINUALLY INCREASING COSTS OF PRODUCTION WILL
SUBSTANTIALLY OFFSET ANY BENEFIT FROM EVENTUAL PRICE IN-
CREASES. ANY SIGNIFICANT AMELIORATION OF THE BALANCE OF
PAYMENTS SITUATION RESULTING FROM HIGHER COPPER PRICES
MUST BE CONSIDERED AS A LONG TERM POSSIBILITY ONLY.
EMBASSY RECOMMENDS THAT ZAMBIAN ECONOMIC SITUATION BE RE-
VIEWED IN CONTEXT OF POINTS RAISED ABOVE WHEN QUESTION OF
HER ELIGIBILITY FOR CONCESSIONAL IDA FACILITIES IS DISCUSSED.
IT APPEARS TO EMBASSY THAT NOW IS THE TIME TO PROVIDE
ASSISTANCE OF THIS TYPE TO ZAMBIA TO PREVENT FURTHER
DETERIORATION AND CONSEQUENT GROWING DEPENDENCY IN THE NEAR
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PAGE 03 LUSAKA 02026 141648Z

FUTURE.
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